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25 August 1999

File #2105

VIA FEDERAL EXPRESS

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Office of the Secretary
Federal Communications Commission
445 12TH Street, S.W.
Washington, D.C. 20024-2101

**Re: International Exchange Communications, Inc.'s Acquisition
of Customer Base of International Telecommunications Corp.
CC Docket No. 94-129**

Dear Sir or Madam:

Please find enclosed the original and five copies of IEC's Petition for Waiver of Commission Rules for filing in the referenced matter. We kindly request that you return one file-stamped copy of same to us in the enclosed, self-addressed and stamped envelope.

Sincerely,



Randall A. Smith

RAS/jll
Enclosure(s)

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CC Docket No. 94-129

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1. International Exchange Communications, Inc. (“IEComm”), a wholly owned subsidiary of Pacific Gateway Exchange, Inc., requests that the Federal Communications Commission (the “Commission”) grant a waiver of its rules and orders governing the authorization and verification necessary to change a consumer’s preferred carrier. As demonstrated herein, good cause exists for the granting of the waiver requested: the purposes for the general rule for which the waiver is being sought will be fulfilled by the measures proposed by IEComm, and the granting of the waiver requested will be in the public interest in general, and specifically in the interest of the customers whose accounts are affected by the change in carrier. *See Northeaster Cellular Telephone Company v. F.C.C.*, 897 F.2d 1164 (D.C. 1990); and *WAIT Radio v. F.C.C.*, 418 F.2d 1153 (D.C. 1969).
2. Within the next several days, IEComm intends to purchase certain assets of International

Telecommunications Corp. ("ITC"), pursuant to a written Asset Purchase Agreement dated July 1, 1999 and attached hereto as Exhibit "A." The assets purchased by IEComm include, but are not limited to: ITC's customer accounts; ITC's accounts receivables; agreements, contracts, letters of agency (LOAs), or other authorizations of ITC's customers; deposits of ITC's customers; and certain other non-customer assets of ITC. IEComm is in good standing in each jurisdiction required to provide interexchange services to the former ITC customers. The special circumstances warranting a deviation or waiver from the Commission's rules and orders include the need to provide seamless transitions of long distance service for the affected ITC customers.

3. IEComm is in the process of sending notice letters to all ITC customers, notifying them of the proposed assumption of the customers' service by IEComm, assuring the customers that they will either receive the same or better rates and services than those which they were receiving from ITC, and advising the customers that they can choose a different preferred carrier should they desire. *See* attached Exhibit "B". Once the proposed sale has been consummated, IEComm will notify the customers of that event and reiterate the foregoing information, assurances and advice. Further, IEComm will amend its domestic tariff to include any ITC tariffed rates for any customers for which IEComm will provide service. Additionally, IEComm will take responsibility to investigate, respond, and attempt to cure any complaints of former ITC customers processed after the sale.

4. The Commission is charged with administration in the "public interest." IEComm submits that allowing it to continue service to the former ITC customers would be a seamless transition, in that there would be no P.I.C. charges incurred by any of the former ITC customers and no interruption of service. Thus, the granting of the requested waiver by the Commission will be in the

public interest in general, and specifically in the interest of the ITC customers whose accounts are affected by the proposed and pending sale.

WHEREFORE, for each of the above reasons and subject to the foregoing conditions, IEComm requests that, effective immediately, the Commission grant a waiver of its rules and orders to allow IEComm to be designated the preferred long distance carrier for current customers of ITC without obtaining the customers' authorization and verification.

This 28th day of July, 1999.

Respectfully submitted,



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ANDREW L. KRAMER

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/and/

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**Attorneys for International Exchange
Communications, Inc.**

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of July, 1999 by and among International Exchange Communications, Inc., a Delaware corporation ("Purchaser"), International Telecommunications Corp., a Nevada corporation ("Seller"), and Donald Blakstad ("Shareholder").

WHEREAS, Seller conducts business as a reseller of long distance telecommunications services and has established a customer base and related assets which it now desires to sell; and

WHEREAS, Purchaser desires to purchase the customer base and related assets of Seller on the terms and subject to the conditions of this Agreement; and

WHEREAS, Shareholder is the sole shareholder of Seller and will derive substantial direct and indirect benefits from the sale of the customer base and related assets of Seller to Purchaser.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants, representations and warranties herein contained, it is hereby agreed as follows:

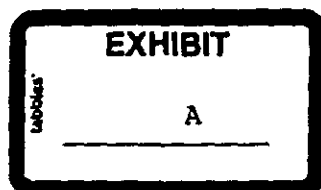
1. Sale and Transfer of Assets

1.1 Assets or Rights to be Sold or Transferred

Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, convey, transfer, assign and deliver to Purchaser, and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest in substantially all of the assets of Seller (the "Assets") including, but not limited to, all right, title and interest in:

(a) Seller's "CIC" code (#5318), to the extent of Seller's rights in such code the transfer of which is approved by the North American Numbering Commission;

(b) All end user long distance telecommunications customer accounts of Seller with respect to customers located in the states set forth on Exhibit 1.1(b) and for which the public service commissions for such states have granted any and all consents and approvals necessary to consummate the transactions contemplated hereby, which accounts are mutually agreed to by Purchaser and Seller and which are listed in an electronic format satisfactory to Purchaser (which electronic format shall include all such customer accounts, whether currently active or inactive, in existence between January 1, 1999 and the Closing Date) (the "Qualified Customer Accounts");



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(c) All of Seller's rights under any agreements, application forms, term contracts, letters of agency and all other contractual instruments related to the Qualified Customer Accounts (collectively, the "Customer Contracts"), including, but not limited to, Seller's right to assert claims and take other rightful actions in respect of breaches, defaults and other violations of such Customer Contracts;

(d) All customer and other deposits held or made by Seller related to the Qualified Customer Accounts;

(e) Seller's current toll-free number used for customer service with respect to the Qualified Customer Accounts; and

(f) All relationships and goodwill related to the Qualified Customer Accounts.

2. The Closing

2.1 Place and Date

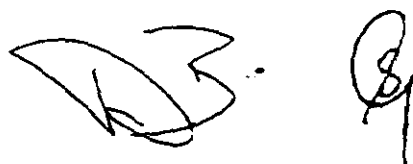
The closing of the purchase and sale of the Assets (the "Closing") shall take place at the offices of Purchaser located at 533 Airport Boulevard, Suite 505, Burlingame, California 94010, at or before 10:00 a.m., local time, on or before October 31, 1999, provided that the conditions set forth in Section 7 hereof have been satisfied. The date of the Closing is herein referred to as the "Closing Date."

2.2 Transfer of Assets

(a) At the Closing and subject to the terms and conditions of this Agreement, Seller shall deliver to Purchaser the following, and simultaneously with such delivery, Seller shall take such action as may be necessary or reasonably requested by Purchaser to place Purchaser in possession and control of the Assets:

(i) Such bills of sale, assignments, novation agreements, master letters of agency or other instruments of transfer and assignment as shall be necessary to vest in Purchaser title to the Assets sold and assigned under this Agreement, free and clear of all liens, claims and encumbrances;

(ii) Copies of resolutions of the Board of Directors of Seller authorizing the execution, delivery and performance of this Agreement by Seller and a certificate of Seller's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect;

Two handwritten signatures are present at the bottom right of the page. The first signature is a stylized, cursive 'B' or 'P' with a horizontal line extending to the right. The second signature is a cursive 'S' or 'G' with a vertical line extending downwards.

(iii) A current list (in electronic format) of the Qualified Customer Accounts and associated project accounting codes to be transferred;

(iv) Any and all Uniform Commercial Code release statements obtained pursuant to this Agreement; and

(v) Such other certificates or other documents or instruments as Purchaser or Purchaser's counsel may reasonably request.

(b) At the Closing, as a condition to Seller's obligations under this Agreement, Purchaser shall deliver to Seller the following:

(i) All instruments as may be reasonably necessary by which Purchaser assumes the obligations and liabilities to be assumed by it hereunder;

(ii) Copies of resolutions of the Board of Directors of Purchaser authorizing the execution, delivery and performance of this Agreement by Purchaser and a certificate of Purchaser's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect; and

(iii) Such other certificates or other documents or instruments as Seller or Seller's counsel may reasonably request.

2.3 Purchase Price; Adjustments

(a) Purchase Price. Subject to adjustment of the Purchase Price as set forth in Section 2.3(b) below, the total consideration for the sale of the Assets shall be an amount equal to (x) the product of multiplied by the net monthly revenues generated by Qualified Customer Accounts for the full month immediately preceding the month in which the Closing Date falls, which net monthly revenues Purchaser shall have the right to verify prior to Closing, plus (y)

for each full month between the date hereof and the Closing Date, pro rated for any partial month, minus (z) any and all billing and other charges deducted by Seller's billing agent pursuant to Seller's billing and collection agreements for the period between the date hereof and the Closing Date to the extent such charges relate to services performed by such billing agent (as opposed to bad debt reserves, credits, etc.) (such billing and other charges collectively for such period, the "Billing Charges") (the sum of (x) plus (y) minus (z), the "Purchase Price"). The Purchase Price shall be payable as follows:

(i) of the Purchase Price shall be paid upon execution of this Agreement via wire transfer of immediately available funds (such amount, the "Initial Payment"); and



Purchase Price pursuant to this Section 2.3(b)(II) shall constitute a reduction in the Purchase Price.

(iii) Notwithstanding anything to the contrary contained herein or in any related agreement, prior to payment of the Holdback Amount by Purchaser to Seller, Purchaser shall be entitled to set-off the Holdback Amount (or any portion thereof) against indemnification claims of Purchaser made pursuant to Section 8 or Section 10.12 hereof.

(c) **Net Revenues.** For purposes of this Agreement, the term "net revenues" shall mean gross revenues generated from the use of telecommunications services less Federal Excise Tax, applicable state telecommunications and sales taxes, government imposed fees and surcharges including, but not limited to, PICC, USF (state and federal), pay phone compensation and any non-recurring fees and charges.

2.4 Limitation on Assumption of Liabilities

Purchaser shall not be liable for any of the obligations or liabilities of Seller, of any kind or nature. Seller shall pay, perform and discharge all of its valid liabilities and obligations and shall specifically indemnify and hold harmless Purchaser from and against same.

3. Representations and Warranties of Seller and Shareholder

Seller and Shareholder, jointly and severally, represent and warrant to Purchaser as follows:

3.1 Organization and Authority

Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

3.2 Authorization of Agreement

The Board of Directors of Seller, pursuant to the power and authority legally vested in it, has duly authorized the execution and delivery of this Agreement by Seller and the transactions hereby contemplated, and, except as set forth in Schedule 3.2, no action, confirmation or ratification by the sole stockholder of Seller or by any other person, entity or governmental authority is required in connection therewith. Seller and Shareholder each has the power and authority to execute and deliver this Agreement, to consummate the transactions hereby contemplated and to take all other actions required to be taken by it or him pursuant to the provisions hereof. Seller has taken all actions required by law, its Certificate of Incorporation, its Bylaws or otherwise to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon Seller and Shareholder in

[Handwritten initials/signatures]

accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of said transactions will constitute any violation or breach of the Certificate of Incorporation or the Bylaws of Seller, or any order, writ, injunction, decree, law, rule or regulation applicable to Seller or Shareholder.

3.3 No Conflicts

To the best of Seller's and Shareholder's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not, with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute a default under, or accelerate or permit the acceleration of the performance required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon any of the Assets pursuant to, or otherwise give rise to any liability or obligation under, any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which Seller or Shareholder is a party or by which Seller or Shareholder or the Assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the Assets.

3.4 Title to Purchased Assets

Seller has, and on the Closing Date will have, good and marketable title to all of the Assets, free and clear of all claims and encumbrances, except claims and encumbrances listed on Schedule 3.4.

3.5 Material Contracts

Except as disclosed on Schedule 3.5 hereto, Seller is not a party to or bound by any material written or oral contracts, obligations or commitments related to the Qualified Customer Accounts, including any written or oral commitments to pay commissions or other compensation relative to the Qualified Customer Accounts. Seller has delivered or made available to Purchaser correct and complete copies of all of the contracts, agreements and other documents listed in Schedule 3.5 hereto and all amendments thereto and waivers granted thereunder. The rights and interest of Seller in all such contracts and agreements may be assigned to Purchaser without the consent of any person, except as otherwise disclosed on Schedule 3.5, and at the Closing, Purchaser will acquire all such rights and interest. There are no unresolved disputes pending or, to the best knowledge of Seller and Shareholder, threatened under or in respect of any such contracts or agreements. All such contracts and agreements are valid and effective in accordance with their respective terms. Neither Seller nor any other party to such contracts



or agreements has breached any provision of, or is in violation or default under the terms of, or has caused or permitted to exist any event of default under, any such contracts or agreements.

3.6 Customer Relationships

Neither Seller nor Shareholder has knowledge that any Qualified Customer Account has been terminated or is expected to be terminated, in whole or in part; provided, however, that this Section 3.6 shall not be construed as a representation, warranty, or guarantee that any such customer will, after the Closing, maintain its present business relationships with Purchaser. To the best of Seller's and Shareholder's knowledge, no director or officer of Seller has any direct or indirect interest in any such Qualified Customer Accounts.

3.7 Litigation; Compliance

(a) To the best of Seller's and Shareholder's knowledge, except as disclosed on Schedule 3.7(a) hereto, there are no actions, suits, proceedings, arbitrations or governmental investigations pending or threatened against, by or affecting Seller (or to the best knowledge of Seller and Shareholder, any basis therefor) in which, individually or in the aggregate, an unfavorable determination could adversely affect any of the Assets or impede execution or performance of this Agreement. Neither Seller nor Shareholder has received any notice of any violation of any applicable federal, state, local or foreign law, rule, regulation, ordinance, order or decree relating to the Assets other than customer complaints that can be considered typical in the industry, and neither Seller nor Shareholder is aware of any threatened claim of such violation or any basis therefor.

(b) To the best of Seller's and Shareholder's knowledge, Seller has complied and is in compliance in all material respects with all laws, rules, regulations, ordinances, orders, decrees, writs, injunctions, building codes, safety, fire and health codes, or other governmental restrictions applicable to Seller and the Assets.

(c) To the best of Seller's and Shareholder's knowledge, Seller has all governmental licenses, permits, approvals or other authorizations presently required to service the Qualified Customer Accounts, all of which are in full force and effect and all of which are listed on Schedule 3.7(c) hereto.

3.8 Brokers, Finders, etc.

Seller has employed no finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement or any of the transactions contemplated hereby and no fee or other compensation shall become payable to any investment banker, financial advisor or broker of any kind upon the Closing of the transactions contemplated hereby.

3.9 Disclosure

To the best of Seller's and Shareholder's knowledge, no representation or warranty by Seller or Shareholder and no statement or certificate furnished or to be furnished by or on behalf of Seller or Shareholder to Purchaser pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

3.10 Disclaimer of Fraudulent Intent

The transactions described in this Agreement have been undertaken by Seller and Shareholder in good faith, considering its and his obligations to any person or entity to whom Seller or Shareholder owes a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured (collectively such persons with such claims are called "Creditors" under this Section 3.10), and has undertaken these transactions without any intent to hinder, delay or defraud any such Creditors, and either has disclosed in the ordinary course of business or will undertake to disclose to all such Creditors the existence of this transaction, and has not and will not conceal this transaction or the proceeds of this transaction from any such Creditors. Seller and Shareholder further represent and warrant that: (1) neither Seller, Shareholder nor any current or former employees of Seller or any of Seller's corporate affiliates will retain possession or control of any of the Assets transferred to Purchaser under this Agreement following the Closing, except as expressly provided in this Agreement and then only for and on behalf of the account of the Purchaser; (2) Seller has not been sued or threatened with suit by any Creditor prior to the execution of this Agreement; (3) Seller has not removed or concealed any assets (including the Assets) from any Creditors; (4) Seller has not incurred any substantial debt that is significantly greater than the normal and customary debts of Seller in the ordinary course of business; and (5) Seller believes in good faith that, at Closing, Seller will receive consideration reasonably equivalent to the value of the Assets transferred to Purchaser under this Agreement.

3.11 Sale of Substantially All Assets of Seller.

The Assets to be purchased by Purchaser pursuant to this Agreement represent substantially all of the assets of Seller. There are no other assets used by Seller to conduct its business as a reseller of long distance telecommunications services.

3.12 Protection of Qualified Customer Accounts.

Seller has used its best efforts to ensure that all information related to the Qualified Customer Accounts, including, but not limited to, all customer lists, mailing lists, books, records, files, data, and letters of agency, has not been disclosed to anyone other



than employees of Seller or of any of Seller's corporate affiliates, and that no such employees will possess, control or otherwise have any right to such information following the Closing of the transaction contemplated hereby.

3.13 Third Party Verifications

Seller employs VoiceLog and other independent parties to conduct all third party voice verifications with respect to new customers, and from the date hereof until the Closing Date, Seller shall not discontinue employing VoiceLog and such other independent parties to perform such services without the prior written consent of Purchaser, which shall not be unreasonably withheld.

4. Representations and Warranties of Purchaser

Purchaser represents and warrants to Seller and Shareholder as follows:

4.1 Corporate Status

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to carry on its business as now being conducted.

4.2 Authority for Agreement

Purchaser has the power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution, delivery and performance by Purchaser of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Purchaser. This Agreement has been duly executed by Purchaser and the transactions contemplated by it constitute the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms. No consent, approval, or authorization of, or declaration, filing, or registration with, any federal or state governmental or regulatory authority is required to be made or obtained by Purchaser in connection with the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, except approval of applicable public service commissions.

4.3 No Conflicts

To the best of Purchaser's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not, with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute a default under, or accelerate or permit the acceleration of the performance



required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon any of the Assets pursuant to, or otherwise give rise to any liability or obligation under, any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which Purchaser is a party or by which Purchaser or the Assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the Assets.

5. Seller's Obligations Before Closing

Seller covenants that from the date of this Agreement and until the Closing Date (or such other date or period as specified in this Section 5):

(a) Purchaser and its counsel, accountants and other representatives shall have full access to all properties, books, accounts, records, contracts and documents of or relating to the Assets (including, but not limited to, billing records, customer service history, verbal letters of agency tapes or written letters of agency where required by any public service commission of a state set forth on Exhibit 1.1(b)), but Purchaser shall not have access to any information not related to the Assets. Seller shall furnish or cause to be furnished to Purchaser and its representatives all data and information concerning the Assets that may be reasonably requested. Seller agrees that, from and after the date of this Agreement and regardless of whether the Closing has been consummated, Seller and its officers, directors and other representatives will hold in strict confidence, and will not use to the detriment of Purchaser, any data and information with respect to Purchaser and Purchaser's business and operations obtained by Seller or Shareholder in connection with this Agreement or the transactions contemplated hereby. If the transactions contemplated by this Agreement are not consummated, Purchaser will return to Seller all data and information relating to Seller that Seller may reasonably request, including all documents prepared or made available to Purchaser by Seller in connection with this Agreement.

(b) Seller will, with respect to the Qualified Customer Accounts, carry on its business and activities diligently and in substantially the same manner as they previously have been carried out and shall not make or institute any unusual or novel methods of management or operations to the detriment of Purchaser that vary materially from those methods used by Seller as of the date of this Agreement relating to the Qualified Customer Accounts, without the prior written consent of Purchaser.

(c) Seller shall direct its billing agents to pay to Purchaser all monies due to Seller with respect to revenues generated on or after July 1, 1999 until the Closing Date from end user customers.

(d) Seller shall take all reasonable steps to obtain the approval and consent of the Federal Communications Commission, the state public service commissions of each state set forth on Exhibit 1.1(b) and the North American Numbering Commission.

6. Covenants

6.1 Further Assurances

At any time and from time to time after the Closing Date, each party shall, without further consideration, execute and deliver to the other such other instruments of transfer and assumption and shall take such other action as the other may reasonably request to carry out the transfer of the Assets and the assumption of the specific liabilities contemplated by this Agreement.

6.2 Standstill; Public Announcement

Prior to the Closing or termination of this Agreement, Seller and Shareholder each agree not to, directly or indirectly, solicit, entertain or encourage offers or negotiate with any other person or entity regarding the purchase or sale of the Assets or the capital stock of Seller. Without the prior written consent of Purchaser, Seller and Shareholder shall not make any public announcement with respect to the subject matter of this Agreement. Purchaser intends, and shall be permitted, to make, without the consent of Seller and Shareholder, an announcement about this Agreement and the transactions contemplated hereby which is consistent with its public disclosure obligations.

6.3 Consents

Purchaser shall use commercially reasonable efforts to assist Seller in obtaining all consents necessary to consummate the transactions contemplated hereby, including the approval of the public service commissions of the states set forth on Exhibit 1.1(b).

6.4 Compliance with Laws

Seller understands that Seller's conduct prior to the Closing of this Agreement is subject to the rules and regulations of the Federal Communications Commission (FCC) and the public service commissions of the states set forth on Exhibit 1.1(b), and Seller hereby agrees, in accordance with Section 10.12 of this Agreement, to be fully responsible for the acts and omissions of all of Seller's agents, employees, servants and representatives prior to the Closing of this Agreement which are in violation of any law, rule, regulation, administrative decision or pronouncement of the FCC or any of the public service commissions of the states set forth on Exhibit 1.1(b), including, but not limited to, any applicable FCC and state rules regarding customer slamming and cramming, the violation of which may result in severe penalties and adverse consequences which the FCC

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or any such state public service commission may attempt to impose upon Purchaser after the Closing of this Agreement.

6.5 Bulk Sales

Purchaser and Seller hereby agree to waive compliance with any and all applicable bulk sales laws.

7. Conditions Precedent

7.1 Conditions to Obligations of Purchaser

The obligation of Purchaser to pay the Purchase Price (including the Holdback Amount) to Seller and to satisfy its other obligations hereunder shall be subject to fulfillment by Seller (or waiver by Purchaser) on or prior to the Closing, of the following additional conditions, which Seller agrees to use its best efforts to cause to be fulfilled:

(a) Representations, Performance

The representations and warranties of Seller and Shareholder contained in Section 3 hereof shall be true and correct in all material respects at and as of the Closing Date, except as affected by the transactions contemplated hereby. Seller shall have duly performed and complied with all agreements and conditions required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date. There shall have been no material adverse change in the Qualified Customer Accounts.

(b) Corporate Proceedings

All corporate and other proceedings of Seller in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such corporate proceedings, shall be reasonably satisfactory in substance and form to Purchaser, and Purchaser shall have received all such documents and instruments or copies thereof.

(c) Approval of State Public Service Commissions and Federal Communications Commission

The public service commission for each state set forth on Exhibit 1.1(b) and the Federal Communications Commission shall have granted any and all consents and approvals required from it which are necessary to consummate the transactions contemplated hereby.



(d) Approval of North American Numbering Commission

The North American Numbering Commission shall have approved the transfer of the "CIC" code from Seller to Purchaser.

(e) Non-Competition Agreement

Seller and Shareholder shall each have executed a non-competition agreement, substantially in the form attached hereto as Exhibit A, stating that Seller and Shareholder will not solicit the customers represented by the Qualified Customer Accounts or otherwise compete with Purchaser with respect to the Qualified Customer Accounts.

(f) "Due Diligence" Review

Purchaser, in its sole discretion, is satisfied with its "due diligence" review of the information it receives from Seller pertaining to the Assets.

(g) Removal of Liens from Underlying Carrier

Purchaser, in its sole discretion, shall be satisfied that Seller has removed any and all liens placed on the Assets by any and all of Seller's underlying service carriers including, but not limited to, Frontier and MCI Worldcom.

(h) Seller's Switched Voice Traffic

All of Seller's switched voice traffic related to the Qualified Customer Accounts shall have been transferred to the network of Pacific Gateway Exchange, Inc. ("PGE") and shall be carried by PGE pursuant to a vendor/vendee agreement to be mutually agreed upon by Seller and PGE.

7.2 Conditions to Obligations of Seller

The obligations of Seller to deliver the bill of sale, assignments, endorsements and other instruments of transfer relating to the Assets and to satisfy Seller's other obligations hereunder shall be subject to the fulfillment by Purchaser (or waiver by Seller) on or prior to the Closing, of the following additional conditions, which Purchaser agrees to use its best efforts to cause to be fulfilled:

(a) Representations, Performance

The representations and warranties of Purchaser contained in Section 4 hereof shall be true and correct in all material respects at and as of the Closing Date. Purchaser shall have duly performed and complied with all agreements and conditions

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required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date.

(b) Corporate Proceedings

All corporate and other proceedings of Purchaser in connection with the transactions contemplated by this Agreement, and all documents and instruments incident to such corporate proceedings, shall be satisfactory in substance and form to Seller and Seller shall have received all such documents and instruments or copies thereof.

(c) No Material Changes

No material changes in the financial position of Purchaser or material changes in the information previously disclosed to Seller shall have occurred.

8. Indemnification; Manner of Claims

8.1 Indemnification. From and after the Closing Date, Seller will indemnify Purchaser against, and hold Purchaser harmless from, any and all liability, damage, deficiency, loss, cost or expense (including reasonable attorney's fees) that is based upon or that arises out of (i) any misrepresentation or breach of any representation, warranty or agreement made by Seller or Shareholder herein, (ii) any obligation, debt or liability of Seller to the extent that the same is not expressly assumed herein by Purchaser, or (iii) the use and ownership of the Assets on or prior to the Closing Date (other than those liabilities specifically assumed by Purchaser hereunder). Purchaser may set off any claim for indemnification under this Section 8.1 against the Holdback Amount payable pursuant to Section 2.3(a)(iv), if such Holdback Amount has not already been paid by Purchaser to Seller.

8.2 Manner of Claims

Any notice of a claim by reason of any of the representations and warranties contained in this Agreement shall state specifically the representation or warranty with respect to which the claim is asserted, and the amount of liability asserted against the other party by reason of the claim.

9. License

Seller hereby grants to Purchaser, effective as of the date hereof, a fully paid-up, exclusive (except as to Seller), non-transferable, personal license, without right to grant sublicenses, to use the name "International Telecommunications Corp." and derivations thereof and any and all trade names used by Seller (including, but not limited to, "DBA's") in connection with the performance of its duties under the Management Agreement dated the date hereof between Seller and Purchaser, and, after the Closing, in connection with

the ownership of the Assets by Purchaser. The license granted by Seller to Purchaser in this Section 9 shall automatically and immediately terminate without notice and without further action on the part of either party on the earlier of (i) termination of this Agreement or (ii) the date which is six (6) months after the Closing Date.

10. Miscellaneous

10.1 Consents of Third Parties

This Agreement shall not constitute an agreement to assign any interest in any instrument, contract, lease, permit or other agreement or arrangement of Seller, or any claim, right or benefit arising thereunder or resulting therefrom, if any assignment without the consent of a third party would constitute a breach or violation thereof or adversely affect the rights of the Purchaser or Seller thereunder. If a consent of a third party which is required in order to assign any instrument, contract, lease, permit or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom, which consent Seller shall use its best efforts to obtain prior to the Closing, is not obtained prior to the Closing, or if an attempted assignment would be ineffective or would adversely affect the ability of Seller to convey its interest to the Purchaser, Seller will cooperate with Purchaser in any lawful and economically feasible arrangement to provide that Purchaser shall receive Seller's interest in the benefits under any such instrument, contract, lease, permit or other agreement or arrangement; and any transfer or assignment to Purchaser by Seller of any interest under any such instrument, contract, lease, permit or other agreement or arrangement that requires the consent of a third party shall be made subject to such consent or approval being obtained.

10.2 Expenses

Subject to the terms of Section 8 hereof, each of the parties hereto shall bear its own expenses, costs and fees (including attorney's fees) in connection with the transactions contemplated hereby, including the preparation and execution of this Agreement and compliance herewith, whether or not the transactions contemplated hereby shall be consummated.

10.3 Severability

If any term or provision of this Agreement shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied in any particular case because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the term or provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, but such term or provision shall be deemed modified or deleted as or to the extent required by applicable law. The invalidity



of any one or more phrases, sentences, clauses, sections, or subsections of this Agreement shall not affect the remaining portions of this Agreement.

10.4 Notices

Any notices or other communications required under this Agreement shall be in writing, shall be deemed to have been given when delivered in person, by telex or telecopier, when delivered to a recognized next business day courier, or, if mailed, when deposited in the United States first class mail, registered or certified, return receipt requested, with proper postage prepaid, addressed as follows or to such other address as notice shall have been given pursuant hereto:

If to Seller:

International Telecommunications Corp.
Attn: Charles W. Becker
701 B. Street, Suite 1450
San Diego, CA 92101
Telecopy: 619-702-5477

If to Shareholder:

Donald Blakstad
7770 Regents Road, Suite 113-528
San Diego, CA 92122
Telecopy: _____

If to Purchaser:

International Exchange Communications, Inc.
Attn: Gail E. Granton
533 Airport Blvd., Suite 505
Burlingame, CA 94010
Telecopy: (650) 375-8799

With a copy to:

Mayer, Brown & Platt
Attn: James J. Junewicz
190 South LaSalle Street
Chicago, Illinois 60603
Telecopy: (312) 701-7711

10.5 Amendment

This Agreement may not be amended except by an instrument in writing, duly executed and delivered on behalf of each of the parties hereto.

10.6 Waiver

Any party may waive compliance by another with any of the provisions of this Agreement. No waiver of any provisions shall be construed as a waiver of any other provision. Any waiver must be in writing.

10.7 Counterparts

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which taken together shall constitute one agreement, notwithstanding that all of the parties are not signatories to the original or to the same counterpart.

10.8 Assignment

Any assignment of this Agreement or the rights or obligations hereunder by any party without the prior written consent of the nonassigning parties shall be void. Notwithstanding the foregoing, either party may assign all or any part of its rights and/or obligations to one or more affiliates, subsidiaries, parent companies or shareholders of said party. No such assignment shall relieve the assigning party of any of its obligations or duties under this Agreement.

10.9 Costs

In the event any action is instituted to enforce or interpret the terms of this Agreement or arises out of this Agreement, the party prevailing in such action shall be entitled to recover its reasonable attorney's fees and costs as determined by the court.

10.10 Entire Agreement; Applicable Law, etc.

This Agreement, the Management Agreement dated the date hereof between Purchaser and Seller and the Non-Competition Agreement dated the date hereof between Purchaser, Seller and Shareholder constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of California applicable to contracts made and to be performed in California.

10.11 Industry Terms and Phrases

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All terms and phrases unique to the telecommunications industry and used within this Agreement shall be defined in accordance with the everyday meaning assigned to such terms and phrases within the industry.

10.12 Special Indemnification

(a) Seller shall specifically indemnify and hold harmless Purchaser from and against any and all claims, suits, damages, liabilities or expense of any description (including, but not limited to, reasonable attorney's fees and costs) resulting from any of the following: (1) Seller's use of invalid letters of agency/authorization; (2) unauthorized transacting of business by Seller without all necessary state and federal authority and permission; and (3) violations by Seller or any of Seller's agents, employees, servants or representatives of applicable federal and/or state rules regarding customer slamming or cramming which took place prior to the Closing of this Agreement (the "Special Indemnification"). Purchaser may set off any claim for Special Indemnification under this Section 10.12 against the Holdback Amount payable pursuant to Section 2.3(a)(iv), if such Holdback Amount has not already been paid by Purchaser to Seller. After the payment of the Holdback Amount, the Special Indemnification shall be due within ten (10) days of Seller's receipt of written notice from Purchaser.

(b) Seller agrees to defend, indemnify and hold Purchaser harmless from and against any and all liabilities for which Purchaser pays, or is asked to pay, to any and all of Seller's currently existing creditors and/or the Internal Revenue Service.

11. Termination

11.1 Mutual Consent. This Agreement may be terminated at any time prior to the Closing by mutual consent of Seller, Shareholder and Purchaser, expressed, in the case of Seller and Purchaser, by action of their respective Boards of Directors.

11.2 Automatic Termination. This Agreement shall automatically terminate, and the obligations of the parties hereunder shall be discharged, if the Closing does not occur on or prior to October 31, 1999; provided, however, that Purchaser shall have the right to waive this termination provision.

11.3 Remedies on Termination. In the event any party hereto, without the right to do so under this Agreement, shall fail or refuse to consummate the transactions contemplated by this Agreement, or if any default under, or breach of, any representation, warranty, covenant or condition of this Agreement on the part of any party shall have occurred that results (or would result) in the failure to consummate the transactions contemplated hereby, then, in addition to any other remedies provided in this Agreement or by applicable law, the nondefaulting party or parties shall be entitled to obtain from the defaulting party costs and expenses, including reasonable attorneys' fees, incurred by it



in enforcing its rights hereunder, including, but not limited to, the right to seek specific performance of this Agreement.

11.4 Effect of Termination. In the event this Agreement is terminated under Section 11.1 or 11.2 hereof, (i) Purchaser shall at that time cease to manage or control the Qualified Customer Accounts and shall relinquish the same back to Seller, (ii) Purchaser shall be entitled to revenues generated on all such Qualified Customer Accounts from July 1, 1999 through the termination date, and (iii) Seller shall be entitled to retain all payments received by it from Purchaser up to and including the termination date, whether from this Agreement or the Management Agreement dated the date hereof between Purchaser and Seller.

12. Billing and Collection Agreements

12.1 Assignments. If Purchaser shall so elect at any time after the date hereof, Seller shall, on the Closing Date or at an agreed upon time thereafter, assign and transfer to Purchaser, for no additional consideration, any or all of its billing and collection agreements, including, but not limited to, its billing and collection agreements with Ameritech Corporation, SBC Communications Corporation and USBI, as Purchaser may elect with respect to any such agreement.

13. Seller's "CIC" Code


13.1 Assignment. In the event that the North American Numbering Commission shall have failed to approve the transfer of the "CIC" code from Seller to Purchaser and Purchaser waives the closing condition set forth in Section 7.1(d) hereof and the Closing nonetheless occurs, Seller shall not at any time thereafter sell, assign or otherwise transfer, or make any attempt or effort to sell, assign or otherwise transfer, such "CIC" code to any third party.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.


International Exchange Communications, Inc.

By: 
Name: Sandra Grey
Title: CFO

International Telecommunications Corp.

By: 
Name: Donald Blakstad
Title: President

Donald Blakstad



(Form Letter)

International Telecommunications Corp.

International Exchange Communications, Inc.

(Customer Name)
(Address)

Dear Customer:

On July 1, 1999, International Exchange Communications, Inc. ("IECOM") and International Telecommunications Corp. ("ITC") entered into an agreement whereby, subject to the regulatory approval, the telecommunications assets of ITC will be acquired by IECOM, and IECOM will become your telecommunication service provider.

This change in ownership will not affect or in any way disrupt your current service. No charges or fees will be imposed and no rate increase will occur as a result of this transaction. The toll free Customer Service number will remain the same and if you have any questions, please call one of our Customer Service Representatives at 1-800-615-1888.

You understand that you are free to choose another long distance carrier. If you should choose another carrier, you may be assessed a charge by your local telephone service provider

We at International Exchange Communications are pleased to welcome you to our team and would like to express our appreciation for allowing us the opportunity of being your telecommunication service provider. We are confident that you will be pleased with the high quality of our service.

